

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL**

**FROM: KRISTINE SASSER
DEPUTY ATTORNEY GENERAL**

DATE: JUNE 6, 2014

**SUBJECT: IDAHO POWER'S APPLICATION FOR APPROVAL OR REJECTION
OF A PPA WITH NORTH SIDE ENERGY, CASE NO. IPC-E-14-07**

On April 30, 2014, Idaho Power Company filed an Application requesting that the Commission accept or reject an Agreement between Idaho Power and North Side Energy Company (North Side), Inc., for the sale and purchase of electric energy generated by the Head of U Canal Project. On May 27, 2014, Idaho Power filed an Amendment to its Application that included a summary of terms and conditions contained in the proposed Agreement that are different from prior agreements approved by this Commission.

THE APPLICATION

On April 23, 2014, Idaho Power and North Side entered into an Agreement pursuant to the terms and conditions of various Commission Orders applicable to PURPA agreements for seasonal hydro projects. Idaho Power states that North Side proposes to operate and maintain a 1.28 megawatt (MW) seasonal hydro energy facility to be located near Jerome, Idaho. The Company maintains that the project will be a qualified facility (QF) under the applicable provisions of the Public Utility Regulatory Policies Act (PURPA).

Under the terms of the Agreement, North Side elected to contract with Idaho Power for a 20-year term using the non-levelized other published avoided cost rates as currently established by the Commission in Order No. 32817 for energy deliveries of less than 10 average MW (aMW). As defined in paragraphs 1.20 and 4.1.4 of the Agreement, North Side will be required to provide data on the facility that Idaho Power will use to confirm that under normal and/or average conditions, the facility will not exceed 10 aMW on a monthly basis. As described in paragraph 7.5 of the Agreement, should the facility exceed 10 aMW on a monthly basis, Idaho

Power will accept the inadvertent energy that does not exceed the maximum capacity amount, but will not purchase or pay for inadvertent energy.

North Side has selected May 1, 2015, as the project's Scheduled Operation Date. Various requirements have been placed upon North Side in order for Idaho Power to accept energy deliveries from this facility. Idaho Power will monitor compliance with these requirements. Idaho Power will continue to monitor the ongoing requirements throughout the term of the Agreement.

The Agreement provides that all applicable interconnection charges and monthly operational or maintenance charges under Schedule 72 will be assessed to North Side. A Schedule 72 Generator Interconnection Agreement (GIA) between North Side and Idaho Power was executed on July 29, 2013. Idaho Power states that PURPA QF generation must be designated as a network resource (DNR) to serve Idaho Power's retail load on its system. In order for the facility to maintain its DNR status and maintain compliance with Idaho Power's non-discriminatory administration of its Open Access Transmission Tariff (OATT) and FERC requirements there must be a power purchase agreement (PPA) associated with its transmission service request.

Article 21 of the Agreement provides that the PPA will not become effective until the Commission has approved all terms and conditions and declared that all payments Idaho Power makes to North Side for purchases of energy will be allowed as prudently incurred expenses for ratemaking purposes.

Idaho Power filed an Amendment to its initial Application on May 27, 2014. The Amendment provides a summary of terms and conditions contained in the proposed Agreement that are different from prior agreements approved by this Commission. In its Amendment, Idaho Power explains that the recent hydro agreements are the first hydro-based agreements submitted for approval "that contain revised terms and conditions subsequent to the Commission's final and reconsideration orders from Case No. GNR-E-11-03. As such, the form of the [Agreement] has several terms and conditions that vary from previously approved agreements in order to comply with the Commission's recent orders." Amendment at 5.

Idaho Power and North Side also agreed to changes in some standard provisions that the parties now propose for Commission approval. Idaho Power identifies that major changes as follows:

- Change to the definition of "Mid-Columbia Market Energy Cost" to replace reference to the Dow Jones index with reference to the

Intercontinental Exchange (ICE) index and formula consistent with the proposed settlement in Case No. IPC-E-13-25¹;

- Addition of definitions and provisions, paragraphs 1.29, 1.38, 1.39, 3.4 and 7.6 to incorporate definitions of “non-seasonal hydro facility” and “seasonal hydro facility” as well as “seasonal hydro facility test periods” to incorporate and maintain separate rates for seasonal and non-seasonal hydro projects and to ensure that seasonal hydro projects perform within the requirements of generating 55 percent of their annual generation in the months of June, July and August;
- Removal of the provisions providing for delay liquidated damages and maintained provisions to provide for delay security and actual delay damages as provided for by the Commission’s adoption of the partial stipulation in Commission Order No. 32697;
- Change to Article VIII, “Environmental Attributes,” to indicate that North Side owns all Environmental Attributes or Renewable Energy Credits/Certificates;
- Change to paragraph 6.2 to allow Mr. Arkoosh to adjust the “Initial Year Monthly Net Energy Amounts” on a monthly, rather than quarterly, basis;
- Revision to paragraph 12.4 relating to Scheduled Maintenance; and
- Several other minor revisions in an attempt to add clarity.

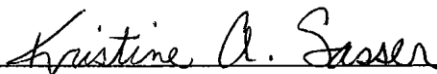
Idaho Power requests that its Application be processed by Modified Procedure.

STAFF RECOMMENDATION

Staff recommends that the case be processed by Modified Procedure with at least a 28-day comment period and opportunity for reply.

COMMISSION DECISION

Does the Commission wish to process this case under Modified Procedure with a 28-day comment period and opportunity for reply?



Kristine A. Sasser
Deputy Attorney General

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¹ This change is relevant to the 90/110 performance requirement.